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The Director of Central Intelligence  
Washington, D.C. 20505

National Intelligence Council

NIC 02461-84  
20 April 1984

MEMORANDUM FOR: Director of Central Intelligence  
Deputy Director of Central Intelligence

THROUGH: National Intelligence Officer for Warning

FROM:   
National Intelligence Officer for Latin America

SUBJECT: Warning and Forecast Report for Latin America  
April 1984

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1. The following items were discussed at the Warning and Forecast Meeting held on 18 April 1984.

Peru\*

2. If the outlook for 1984 is uncertain we assume it cannot be as bad as last year. If growth is negligible, still it would be somewhat better than last year. The floods and drought of 1983 were so harmful to agricultural production that it is assumed that here, too, there will be improvement. Nevertheless, real wages will probably fall further, inflation continue, and strikes and discontent be rife. At the moment, the government is playing with mirrors to convince the IMF that they are operating within IMF instructions.

3. The betting is that the government will get to elections in 1985 without the acute disorder in the country that would bring the military back into power. If the United Left (IU) shows signs of approaching victory in the elections, then the military will be restless. The American Popular Revolutionary Alliance (APRA) is the favorite to win the elections and apparently the military's traditional suspicion of APRA is in abeyance.

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4. The outlook for 1985 on the international scene is not favorable to Peru, or for others suffering under the burden of debt, particularly now that interest rates are rising. Peruvians feel that bankers should modify rates to fit the debtor's ability to pay. Debt renunciation is not likely, but Peruvians would be much affected by the initiatives of other countries on this point.

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Panama\*

5. We stay with the judgment of the SNIE 83.1-84: better than even chances for elections on 6 May with Barletta having the edge, confirmed by three different polls. Some people answering the pollers' questions suspect that the government is behind the polls, and thus they give what

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they hope to be the right answers, but the similar sentiments reflected in the three different polls than Barletta with the plurality of votes cast. The undecided voters may be crucial. In the pre-election maneuvering, General Ruben Dario Paredes is trying to work himself into a good post after the elections: we still think he may draw votes from Arias and Barletta. Carlos Rodriguez Arnejo, Arias' comparatively mild-spoken running mate who, we thought, would be acceptable to the military, has been making surprisingly threatening statements about the future of the Defense Forces, and Arias is talking about a separate command for the police, a reprehensible thought to the military. The government has tied up radio station time and rented all the busses in Panama for the period 1-6 May. Massive fraud is difficult to bring off and is unlikely.

### Honduras

[REDACTED] the expulsion of General Gustavo Adolfo Alvarez at the end of March. According to a reconstruction, events seemed to have developed like this. With the military, it was a small group of colonels around General Walter Lopez who secretly planned to expel Alvarez. President Roberto Suazo was consulted and he agreed. Alvarez's autocratic style, his lack of communications with officers below him, his not consulting the Supreme Defense Council, his publicly dressing officers down in a recent meeting of that Council, threatening to remove some of them in June, his overriding officers on policy matters--these seem to have caused the military to move against him. No strong adverse reaction has been observed in the rank and file to his removal as there was much dissatisfaction with Alvarez's style. At the same time, there is uneasiness about the humiliating manner in which he was handled, and some alarm also over the collusion between civilians and military. Democracy in Honduras is still fragile and there is a mood in the military to feel threatened by assertions of power by civilians.

7. Alvarez was meddling in politics, specifically with the National Party--the opposition to Suazo's Liberal Party--appearing to make himself look desirable as a presidential candidate in 1985, and this President Suazo. Alvarez was head of a business group in San Pedro Sula that he may have been converting in a PAC to support him. There was annoyance at the arrest of the leaders of the Electrical Workers Union without government concurrence. Carlos Flores, Minister of the Presidency, is a power in Honduras and he may well have been behind the civilian objections to Alvarez. There is no reporting to indicate that resentment of the US was a factor in the feelings against Alvarez.

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El Salvador

9. The turnout was probably as large on 25 March as in 1982 but the total of votes cast was lower, probably because of confusion at the polls. [REDACTED] gives a figure of 58 for the municipalities that did not have ballot boxes because of guerrilla action, much higher than in 1982. Salvadoran officers are apprehensive about rumors of post-election personnel changes in the Army but so far those stirring up trouble are a generally weak minority in the command. Duarte appears to be able to win even without an endorsement from Francisco Guerrero, who is playing a

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cagey political game, looking at 1985 elections and the scheme of maneuvering the National Conciliation Party (PCN) into a majority of the assembly, perhaps winning back the PAISA defectors, and being co-equal, then, with Duarte's Christian Democrats.

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[REDACTED] We still see no coordinated plan for the five factions. The army kept them off balance and it appears that the ERP took some severe losses from Colonel Monterossa in northern San Miguel. We can expect more sabotage--power outages in particular--and we continue to watch for urban attacks especially on San Salvador itself, Ilopango, and on eastern cities, such as San Miguel and Usulután. The government seems to have retained the tactical initiative.

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